

## Rising costs prove challenge to UK hotels prompting slowdown in RevPAR growth

08 November 2017, London: Some investors could become increasingly wary of hotel assets as RevPAR growth plateaus amid predictions of labour shortages and increasing costs, according to **Hotel Bulletin Q3 2017** published this week by HVS, AlixPartners, STR and AM:PM.

The Bulletin reports that in Q3 2017 average growth in RevPAR (rooms revenue per available room) at 5% was the lowest level since Q1 2016, although the long-term outlook for UK hotels remains firmly positive.

While these results outpace UK GDP growth, which has averaged below 1% in the same period, the impact of a lower growth environment, global political uncertainty and an increasing threat of terror is taking its toll on performance across hotels in the 12 UK cities the Bulletin polls.

Belfast and Edinburgh bucked the trend, with 11% RevPAR growth, benefiting from an increasing number of tourists taking advantage of a weaker pound. London recorded a 2% increase in RevPAR, despite a drop in occupancy, while Aberdeen recorded its eleventh consecutive quarter fall, albeit at the lower rate of 1%. Transaction values in Q3 totalled £1.6bn, bolstered by the sale of Grosvenor House for a reported £550m, the highest single transaction since 2014. Total transaction values reached £1bn in Q3, partly attributable to investors keen to complete transactions before the impact of Brexit are felt.

While forecasts expect year-end RevPAR to show an overall increase of 4.5%, key issues for the sector are controlling costs, most notably that of labour, and the sourcing of staff due to the declining net migration and the UK's expanding hotel supply.

However, the Bulletin points out that UK hotels rank in the top three for gross operating profit per available room (GOPPAR), reflecting a GOP margin percentage of 43.9% ahead of those in the US, China, France, Spain, and Germany, and behind only Singapore and the United Arab Emirates.

Said HVS chairman Russell Kett: 'The UK hotel industry has faced a stream of headwinds in recent years, including rising costs, supply growth, terrorist attacks, and the evolution of third-party distribution and sharing economies. However, the five-year trend suggests that hotel operators will continue to adapt and innovate to drive continued growth and profitability, and thereby value.

'It is unlikely that investor interest will ever wane substantially for hotels in London, although it might start to taper off in the provinces. Performance continues to grow, albeit at a slower rate, and even though profitability may be adversely affected through rising operating costs hotels still remain very profitable, particularly when operators are talented, diligent and nimble.' [ends

You can download **Hotel Bulletin: Q3 2017** by clicking <https://www.hvs.com/article/8135/hotel-bulletin-q3-2017/?campaign=email>

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### **About HVS**

HVS, the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries, was established in 1980. The company performs 6,000+ assignments each year for hotel and real estate owners, operators, investors, banks and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of some 40 offices and more than 350 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. [HVS.com](https://www.hvs.com)

### **About the HVS, AlixPartners, STR and AM:PM Quarterly Hotel Bulletin**

The Hotel Bulletin analyses demand, supply, pipeline and transactions in the hotel market in 12 cities across the UK. The information contained in this Press Release sets out a summary of the information contained in the Hotel Bulletin and should be read with and is subject to the terms, limitations and assumptions contained in the Hotel Bulletin.

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In today's fast paced global market timing is everything. You want to protect, grow or transform your business. To meet these challenges we offer clients small teams of highly qualified experts with profound sector and operational insight. Our clients include corporate boards and management, law firms, investment banks, investors and others who appreciate the candor, dedication, and transformative expertise of our teams. We will ensure insight drives action at that exact moment that is critical for success. [Alixpartners.com](https://alixpartners.com)

### **About AM:PM**

AM:PM is a leading source of market intelligence on the UK & Ireland hotel industry. We maintain extensive data relating to hotel supply to help clients gain a comprehensive and unrivalled understanding of the size and structure of the hotel industry. We offer a suite of subscription-based online products that allow clients to search, analyse and benchmark the hotel sector. This includes access to a unique hotel database with details of over one million hotel rooms covering the past, present and future hotel supply throughout the UK & Ireland.

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